

6(b)(5)⁷ and Section 11(b)⁸ of the Act. The Commission believes that the amendments to Rule 116.30 should further the objectives of Section 6(b)(5) and Section 11(b) through pilot program procedures designed to allow stops, in minimum variation markets, under limited circumstances that provide the possibility of price improvement to customers whose orders are granted stops.

In the orders approving the pilot procedures,⁹ the Commission asked the Exchange to study the effects of stopping stock in a minimum variation market. The Exchange has submitted to the Commission several monitoring reports regarding the amendments to Rule 116.30. The Commission believes that the monitoring reports, especially the latest report, provide useful information regarding the effectiveness of the program during the pilot period. The Commission, however, finds that additional time is necessary to evaluate carefully and comprehensively the information provided by the Exchange and the NYSE's use of its pilot procedures. Accordingly, the Commission believes that it is reasonable to extend the pilot program until October 21, 1995, to avoid compromising the benefit that investors might receive under Rule 116.30, as amended, while the Commission is considering whether to permanently approve the pilot program.¹⁰

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of the notice of filing thereof. This will permit the pilot program to continue on an uninterrupted basis. In addition, the procedures the Exchange proposes to continue using are the identical procedures that were published in the **Federal Register** for the full comment period and were approved by the Commission.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-NYSE-95-26) is hereby approved on a pilot basis until October 21, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36003; File No. SR-OCC-95-07]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change Concerning Equity TIMS

July 21, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934¹ ("Act"), notice is hereby given that on May 26, 1995, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by OCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposed rule change through May 31, 1996.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to have the Commission extend its order granting temporary approval of OCC's use of its Theoretical Intermarket Margin System ("TIMS") for calculating clearing margin positions in equity options.²

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On March 1, 1991, the Commission temporarily approved a proposed rule change which authorized OCC to use TIMS to calculate clearing member margin requirements on equity options.⁴ Since its initial temporary approval of Equity TIMS, the Commission has extended the temporary approval three times.⁵

Equity TIMS utilizes options price theory (*i.e.*, an option pricing model) to project the cost of liquidating in the event of a "worst case" theoretical change in the price of the underlying securities, each clearing member's short equity option positions and long equity option positions on which OCC is entitled to assert a lien. This projected liquidation cost is then used by Equity TIMS to calculate for each clearing member a margin requirement to cover that cost.

OCC has requested an additional extension so that it can complete its analysis of Equity TIMS. Specifically, in its discussions with the Commission's staff preceding the Commission's initial temporary approval of Equity TIMS, OCC represented that it would undertake to analyze the effects of including equity option volatilities over longer periods in determining margin intervals and would report the results of its analysis to the Commission.⁶ OCC recently submitted a report of its analysis to the Commission's staff. Accordingly, OCC seeks an extension of the Commission's temporary approval of

⁴ After the Commission's approval of File No. SR-OCC-89-12 on March 1, 1991, OCC phased out its previous margin system, which was known as the "production system," and since then has used Equity TIMS to calculate its clearing members' margin requirements on equity option positions. For a complete description of Equity TIMS, refer to Securities Exchange Act Release No. 28928 (March 1, 1991), 56 FR 9995 [File No. SR-OCC-89-12] (order approving the use of Equity TIMS to calculate margin on equity options on a temporary basis through May 31, 1992).

⁵ Securities Exchange Act Release Nos. 30761 (May 29, 1992), 57 FR 24286 [File No. SR-OCC-92-15] (order extending the approval of Equity TIMS through May 31, 1993); 32388 (May 28, 1993), 58 FR 31989 [File No. SR-OCC-93-06] (order extending the approval of Equity TIMS through May 31, 1994); and 34065 (May 13, 1994), 59 FR 26534 [File No. SR-OCC-94-03] (order extending the approval of Equity TIMS through May 31, 1995).

⁶ OCC initially was delayed because it expanded the scope of its analysis from ten years to thirty years and had difficulty in obtaining an accurate data base of information covering the expanded period of review. OCC also determined that its analysis of equity options volatility would benefit from a review by an outside consultant, and because it took OCC some time to obtain the services of an appropriate consultant, its analysis was delayed further.

⁷ U.S.C. 78f (1988 & Supp. V 1993).

⁸ 15 U.S.C. 78k (1988).

⁹ See *supra*, note 1.

¹⁰ See Securities Exchange Act Release No. 35908 (June 28, 1995), 60 FR 34564 (July 3, 1995) (notice of filing of proposed rule change relating to permanent approval of NYSE's pilot program for stopping stock in a minimum variation market).

¹¹ 15 U.S.C. § 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Equity TIMS is a modified version of OCC's Non-Equity TIMS, which is OCC's margin system used to calculate requirements on options for which the underlying asset is anything but an equity security. Securities Exchange Act Release No. 23167 (April 22, 1986), 51 FR 16127 [File No. SR-OCC-85-21] (order approving Non-Equity TIMS).

³ The Commission has modified the text of the summaries prepared by OCC.

Equity TIMS through May 31, 1996, so that the Commission may review and discuss the report and several potential changes to Equity TIMS with OCC.⁷

OCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will enhance OCC's ability to safeguard the securities and funds in its custody or control or for which it is responsible.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments have been solicited or received. OCC will notify the Commission of any written comments received by OCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Section 17A(b)(3)(F)⁸ of the Act requires the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. Additionally, Section 17A(a)(1) of the Act⁹ encourages the use of efficient, effective, and safe procedures for securities clearance and settlement. The Commission continues to believe that OCC's proposal to utilize Equity TIMS meets the requirements of the Act and that it represents an improvement over OCC's previous margin system in several respects.¹⁰ Nevertheless, while the Commission continues to believe that the margin methodology employed by Equity TIMS is basically sound, the Commission staff must fully analyze OCC's report to the Commission and several potential changes to Equity TIMS before determining whether to grant permanent approval for Equity TIMS.

OCC has requested that the Commission find good cause for approving the proposal prior to the

thirtieth day after the publication of notice of filing of the proposed rule change. The Commission finds such good cause because the Commission believes that OCC's use of Equity TIMS over the past five years has resulted in better assessments of OCC's risk exposure associated with the clearance and settlement of its clearing members' equity option positions and has resulted in calculations of clearing margin that more accurately reflect that risk exposure. Accordingly, to allow OCC to continue to use Equity TIMS while the Commission and OCC further examine Equity TIMS, the Commission finds that good cause exists for approving the proposed rule change prior to the thirtieth day after publication of notice of filing. The Commission also notes that during the four previous temporary approval periods, OCC has not received any adverse comments regarding Equity TIMS from its clearing members.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-95-07 and should be submitted by August 18, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act¹¹ that the proposed rule change (File No. SR-OCC-95-07) be, and hereby is, approved through May 31, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 35-26337]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

July 21, 1995.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by August 14, 1995, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Consolidated Natural Gas Company, et al. (70-8577)

Consolidated Natural Gas Company ("CNG"), a registered holding company, located at CNG Tower, 625 Liberty Avenue, Pittsburgh, Pennsylvania 15222-3199, and its wholly-owned subsidiary company, CNG Energy Services Corporation ("Energy Services"), located at One Park Ridge Center, Pittsburgh, Pennsylvania 15244-0746, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 43, 45 and 54 thereunder.

CNG and Energy Services request authorization to form a new subsidiary, CNG Special Products and Services, Inc., ("CSPS"), to engage in the business

⁷ OCC has not filed a proposed rule change regarding the potential changes to Equity TIMS; however, OCC will file a draft proposed rule change so that the Commission will have an opportunity to comment on the changes before OCC officially seeks approval of the changes under Section 19(b)(2) of the Act.

⁸ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁹ 15 U.S.C. 78q-1(a)(1) (1988).

¹⁰ *Supra* note 4.

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1994).